

DTE ENERGY CO  
Form 10-Q  
July 26, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period ended June 30, 2017

Commission File Number	Registrants; State of Incorporation; Address; and Telephone Number	I.R.S. Employer Identification No.
1-11607	DTE Energy Company (a Michigan corporation) One Energy Plaza Detroit, Michigan 48226-1279 313-235-4000	38-3217752
1-2198	DTE Electric Company (a Michigan corporation) One Energy Plaza Detroit, Michigan 48226-1279 313-235-4000	38-0478650

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

DTE Energy Company (DTE Energy) Yes  No  DTE Electric Company (DTE Electric) Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

DTE Energy Yes  No  DTE Electric Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

DTE Energy Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company) Emerging growth company

DTE Electric Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company) Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

DTE Energy Yes  No  DTE Electric Yes  No

Number of shares of Common Stock outstanding at June 30, 2017:

Registrant	Description	Shares
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DTE Energy Common Stock, without par value	179,393,579
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DTE Electric Common Stock, \$10 par value, directly owned by DTE Energy 138,632,324

This combined Form 10-Q is filed separately by two registrants: DTE Energy and DTE Electric. Information contained herein relating to an individual registrant is filed by such registrant solely on its behalf. DTE Electric makes no representation as to information relating exclusively to DTE Energy.

DTE Electric, a wholly-owned subsidiary of DTE Energy, meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format specified in General Instructions H(2) of Form 10-Q.

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DEFINITIONS

AFUDC	Allowance for Funds Used During Construction
AGS	Appalachia Gathering System is a midstream natural gas asset located in Pennsylvania and West Virginia. DTE Energy purchased 100% of AGS in October 2016, and this asset is part of DTE Energy's Gas Storage and Pipelines segment.
ASU	Accounting Standards Update issued by the FASB
CCR	Coal Combustion Residuals
CFTC	U.S. Commodity Futures Trading Commission
DTE Electric	DTE Electric Company (a direct wholly-owned subsidiary of DTE Energy) and subsidiary companies
DTE Energy	DTE Energy Company, directly or indirectly the parent of DTE Electric, DTE Gas, and numerous non-utility subsidiaries
DTE Gas	DTE Gas Company (an indirect wholly-owned subsidiary of DTE Energy) and subsidiary companies
EGU	Electric Generating Unit
ELG	Effluent Limitations Guidelines
EPA	U.S. Environmental Protection Agency
Equity units	DTE Energy's 2016 Equity Units issued in October 2016, which were used to finance the October 1, 2016 Gas Storage and Pipelines acquisition
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FOV	Finding of Violation
FTRs	Financial Transmission Rights are financial instruments that entitle the holder to receive payments related to costs incurred for congestion on the transmission grid.
GCR	A Gas Cost Recovery mechanism authorized by the MPSC that allows DTE Gas to recover through rates its natural gas costs.
GHGs	Greenhouse gases
MDEQ	Michigan Department of Environmental Quality
MGP	Manufactured Gas Plant
MISO	Midcontinent Independent System Operator, Inc.

MPSC	Michigan Public Service Commission
MTM	Mark-to-market
NAV	Net Asset Value
NEXUS	NEXUS Gas Transmission, LLC, a joint venture in which DTE Energy own a 50% partnership interest.
Non-utility	An entity that is not a public utility. Its conditions of service, prices of goods and services, and other operating related matters are not directly regulated by the MPSC.
NOV	Notice of Violation
NO <sub>x</sub>	Nitrogen Oxides
NRC	U.S. Nuclear Regulatory Commission
Production tax credits	Tax credits as authorized under Sections 45K and 45 of the Internal Revenue Code that are designed to stimulate investment in and development of alternate fuel sources. The amount of a production tax credit can vary each year as determined by the Internal Revenue Service.

DEFINITIONS

PSCR A Power Supply Cost Recovery mechanism authorized by the MPSC that allows DTE Electric to recover through rates its fuel, fuel-related, and purchased power costs.

REF Reduced Emissions Fuel

Registrants DTE Energy and DTE Electric

Retail access Michigan legislation provided customers the option of access to alternative suppliers for electricity and natural gas.

SGG Stonewall Gas Gathering is a midstream natural gas asset located in West Virginia. DTE Energy purchased 55% of SGG in October 2016, and this asset is part of DTE Energy's Gas Storage and Pipelines segment.

SO2 Sulfur Dioxide

TRM A Transitional Reconciliation Mechanism authorized by the MPSC that allows DTE Electric to recover through rates the deferred net incremental revenue requirement associated with the transition of City of Detroit's Public Lighting Department customers to DTE Electric's distribution system.

VIE Variable Interest Entity

Units of Measurement

Bcf Billion cubic feet of natural gas

BTU Heat value (energy content) of fuel

MMBtu One million BTU

MWh Megawatthour of electricity

## FILING FORMAT

This combined Form 10-Q is separately filed by DTE Energy and DTE Electric. Information in this combined Form 10-Q relating to each individual Registrant is filed by such Registrant on its own behalf. DTE Electric makes no representation regarding information relating to any other companies affiliated with DTE Energy other than its own subsidiaries. Neither DTE Energy, nor any of DTE Energy's other subsidiaries (other than DTE Electric), has any obligation in respect of DTE Electric's debt securities, and holders of such debt securities should not consider the financial resources or results of operations of DTE Energy nor any of DTE Energy's other subsidiaries (other than DTE Electric and its own subsidiaries (in relevant circumstances)) in making a decision with respect to DTE Electric's debt securities. Similarly, none of DTE Electric nor any other subsidiary of DTE Energy has any obligation in respect of debt securities of DTE Energy. This combined Form 10-Q should be read in its entirety. No one section of this combined Form 10-Q deals with all aspects of the subject matter of this combined Form 10-Q. This combined Form 10-Q report should be read in conjunction with the Consolidated Financial Statements and Combined Notes to Consolidated Financial Statements and with Management's Discussion and Analysis included in the combined DTE Energy and DTE Electric 2016 Annual Report on Form 10-K.

## FORWARD-LOOKING STATEMENTS

Certain information presented herein includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, and businesses of the Registrants. Words such as "anticipate," "believe," "expect," "may," "could," "projected," "aspiration," "plans," and "goals" signify forward-looking statements. Forward-looking statements are not guarantees of future results and conditions, but rather are subject to numerous assumptions, risks, and uncertainties that may cause actual future results to be materially different from those contemplated, projected, estimated, or budgeted. Many factors may impact forward-looking statements of the Registrants including, but not limited to, the following:

- impact of regulation by the EPA, the FERC, the MPSC, the NRC, and for DTE Energy, the CFTC, as well as other applicable governmental proceedings and regulations, including any associated impact on rate structures;
- the amount and timing of cost recovery allowed as a result of regulatory proceedings, related appeals, or new legislation, including legislative amendments and retail access programs;
- economic conditions and population changes in the Registrants' geographic area resulting in changes in demand, customer conservation, and thefts of electricity and, for DTE Energy, natural gas;
- environmental issues, laws, regulations, and the increasing costs of remediation and compliance, including actual and potential new federal and state requirements;
- health, safety, financial, environmental, and regulatory risks associated with ownership and operation of nuclear facilities;
- changes in the cost and availability of coal and other raw materials, purchased power, and natural gas;
- volatility in the short-term natural gas storage markets impacting third-party storage revenues related to DTE Energy;
- impact of volatility of prices in the oil and gas markets on DTE Energy's gas storage and pipelines operations;
- impact of volatility in prices in the international steel markets on DTE Energy's power and industrial projects operations;
- volatility in commodity markets, deviations in weather, and related risks impacting the results of DTE Energy's energy trading operations;
- changes in the financial condition of DTE Energy's significant customers and strategic partners;
- the potential for losses on investments, including nuclear decommissioning and benefit plan assets and the related increases in future expense and contributions;
- access to capital markets and the results of other financing efforts which can be affected by credit agency ratings;
- instability in capital markets which could impact availability of short and long-term financing;





- the timing and extent of changes in interest rates;
- the level of borrowings;
- the potential for increased costs or delays in completion of significant capital projects;
  - changes in, and application of, federal, state, and local tax laws and their interpretations, including the Internal Revenue Code, regulations, rulings, court proceedings, and audits;
- the effects of weather and other natural phenomena on operations and sales to customers, and purchases from suppliers;
- unplanned outages;
- the cost of protecting assets against, or damage due to, cyber crime and terrorism;
- employee relations and the impact of collective bargaining agreements;
- the risk of a major safety incident at an electric distribution or generation facility and, for DTE Energy, a gas storage, transmission, or distribution facility;
- the availability, cost, coverage, and terms of insurance and stability of insurance providers;
- cost reduction efforts and the maximization of plant and distribution system performance;
- the effects of competition;
- changes in and application of accounting standards and financial reporting regulations;
- changes in federal or state laws and their interpretation with respect to regulation, energy policy, and other business issues;
- contract disputes, binding arbitration, litigation, and related appeals;
  - implementation of new information systems; and
- the risks discussed in the Registrants' public filings with the Securities and Exchange Commission.

New factors emerge from time to time. The Registrants cannot predict what factors may arise or how such factors may cause results to differ materially from those contained in any forward-looking statement. Any forward-looking statements speak only as of the date on which such statements are made. The Registrants undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

## Part I — Financial Information

## Item 1. Financial Statements

## DTE Energy Company

## Consolidated Statements of Operations (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In millions, except per share amounts)			
<b>Operating Revenues</b>				
Utility operations	\$1,423	\$1,435	\$3,141	\$3,099
Non-utility operations	1,432	827	2,950	1,729
	2,855	2,262	6,091	4,828
<b>Operating Expenses</b>				
Fuel, purchased power, and gas — utility	396	414	925	979
Fuel, purchased power, and gas — non-utility	1,248	717	2,428	1,493
Operation and maintenance	559	542	1,159	1,058
Depreciation and amortization	249	243	498	472
Taxes other than income	97	91	206	190
Asset (gains) losses and impairments, net	3	(1)	3	(1)
	2,552	2,006	5,219	4,191
<b>Operating Income</b>	303	256	872	637
<b>Other (Income) and Deductions</b>				
Interest expense	133	114	258	227
Interest income	(2)	(3)	(5)	(14)
Other income	(66)	(57)	(130)	(109)
Other expenses	6	7	13	15
	71	61	136	119
<b>Income Before Income Taxes</b>	232	195	736	518
<b>Income Tax Expense</b>	57	50	167	133
<b>Net Income</b>	175	145	569	385
<b>Less: Net Loss Attributable to Noncontrolling Interests</b>	(2)	(7)	(8)	(14)
<b>Net Income Attributable to DTE Energy Company</b>	\$177	\$152	\$577	\$399
<b>Basic Earnings per Common Share</b>				
Net Income Attributable to DTE Energy Company	\$0.99	\$0.84	\$3.21	\$2.22
<b>Diluted Earnings per Common Share</b>				
Net Income Attributable to DTE Energy Company	\$0.99	\$0.84	\$3.21	\$2.22
<b>Weighted Average Common Shares Outstanding</b>				

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Basic	179	179	179	179
Diluted	179	180	179	180
Dividends Declared per Common Share	\$0.825	\$0.73	\$1.65	\$1.46

See Combined Notes to Consolidated Financial Statements (Unaudited)

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## DTE Energy Company

## Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In millions)			
Net Income	\$175	\$145	\$569	\$385
Other comprehensive income (loss), net of tax:				
Benefit obligations, net of taxes of \$2, \$(1), \$4, and \$1, respectively	3	(1 )	7	2
Net unrealized gains on investments during the period, net of taxes of \$—, respectively	1	—	1	—
Foreign currency translation	—	(1 )	—	1
Other comprehensive income (loss)	4	(2 )	8	3
Comprehensive income	179	143	577	388
Less: Comprehensive loss attributable to noncontrolling interests	(2 )	(7 )	(8 )	(14 )
Comprehensive Income Attributable to DTE Energy Company	\$181	\$150	\$585	\$402

See Combined Notes to Consolidated Financial Statements (Unaudited)

## DTE Energy Company

## Consolidated Statements of Financial Position (Unaudited)

	June 30, 2017 (In millions)		December 31, 2016
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 62		\$ 92
Restricted cash	22		21
Accounts receivable (less allowance for doubtful accounts of \$36 and \$41, respectively)			
Customer	1,451		1,522
Other	92		71
Inventories			
Fuel and gas	353		416
Materials and supplies	390		356
Derivative assets	81		47
Regulatory assets	12		42
Other	168		195
	2,631		2,762
Investments			
Nuclear decommissioning trust funds	1,392		1,320
Investments in equity method investees	941		752
Other	217		201
	2,550		2,273
Property			
Property, plant, and equipment	30,599		30,029
Accumulated depreciation and amortization	(10,536 )		(10,299 )
	20,063		19,730
Other Assets			
Goodwill	2,291		2,286
Regulatory assets	3,861		3,871
Intangible assets	890		842
Notes receivable	70		73
Derivative assets	58		34
Other	168		170
	7,338		7,276
Total Assets	\$ 32,582		\$ 32,041

See Combined Notes to Consolidated Financial Statements (Unaudited)



## DTE Energy Company

## Consolidated Statements of Financial Position (Unaudited) — (Continued)

	June 30, 2017	December 31, 2016
	(In millions, except shares)	
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$988	\$1,079
Accrued interest	105	96
Dividends payable	296	148
Short-term borrowings	420	499
Current portion long-term debt, including capital leases	412	14
Derivative liabilities	39	69
Gas inventory equalization	35	—
Regulatory liabilities	61	34
Other	391	498
	2,747	2,437
<b>Long-Term Debt (net of current portion)</b>		
Mortgage bonds, notes, and other	10,600	10,506
Junior subordinated debentures	756	756
Capital lease obligations	2	7
	11,358	11,269
<b>Other Liabilities</b>		
Deferred income taxes	4,293	4,162
Regulatory liabilities	551	555
Asset retirement obligations	2,261	2,197
Unamortized investment tax credit	138	93
Derivative liabilities	63	98
Accrued pension liability	1,019	1,152
Accrued postretirement liability	36	36
Nuclear decommissioning	206	194
Other	339	349
	8,906	8,836
<b>Commitments and Contingencies (Notes 5 and 11)</b>		
<b>Equity</b>		
Common stock, without par value, 400,000,000 shares authorized, and 179,393,579 and 179,432,581 shares issued and outstanding, respectively	3,968	4,030
Retained earnings	5,245	5,114
Accumulated other comprehensive loss	(125)	(133)
Total DTE Energy Company Equity	9,088	9,011
Noncontrolling interests	483	488
Total Equity	9,571	9,499
Total Liabilities and Equity	\$32,582	\$32,041



See Combined Notes to Consolidated Financial Statements (Unaudited)

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## DTE Energy Company

## Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended June 30, 2017 (In millions)	2016
Operating Activities		
Net Income	\$ 569	\$ 385
Adjustments to reconcile Net Income to net cash from operating activities:		
Depreciation and amortization	498	472
Nuclear fuel amortization	24	29
Allowance for equity funds used during construction	(12 )	(10 )
Deferred income taxes	164	134
Equity earnings of equity method investees	(51 )	(35 )
Dividends from equity method investees	37	33
Asset (gains) losses and impairments, net	3	—
Changes in assets and liabilities:		
Accounts receivable, net	49	81
Inventories	32	86
Accounts payable	23	(10 )
Gas inventory equalization	35	46
Accrued pension liability	(133 )	3
Accrued postretirement liability	—	(53 )
Derivative assets and liabilities	(123 )	93
Regulatory assets and liabilities	216	71
Other current and noncurrent assets and liabilities	(148 )	(49 )
Net cash from operating activities	1,183	1,276
Investing Activities		
Plant and equipment expenditures — utility	(968 )	(797 )
Plant and equipment expenditures — non-utility	(68 )	(64 )

Proceeds from sale of nuclear decommissioning trust fund assets	705		741	
Investment in nuclear decommissioning trust funds	(688)	)	(744)	)
Distributions from equity method investees	7		7	
Contributions to equity method investees	(175)	)	(121)	)
Other	(62)	)	40	
Net cash used for investing activities	(1,249)	)	(938)	)
Financing Activities				
Issuance of long-term debt, net of issuance costs	495		588	
Redemption of long-term debt	(6)	)	(313)	)
Short-term borrowings, net	(79)	)	(324)	)
Repurchase of common stock	(51)	)	(33)	)
Dividends on common stock	(296)	)	(262)	)
Other	(27)	)	1	
Net cash from (used for) financing activities	36		(343)	)
Net Decrease in Cash and Cash Equivalents	(30)	)	(5)	)
Cash and Cash Equivalents at Beginning of Period	92		37	
Cash and Cash Equivalents at End of Period	\$ 62		\$ 32	
Supplemental disclosure of non-cash investing and financing activities				
Plant and equipment expenditures in accounts payable	\$ 218		\$ 154	

See Combined Notes to Consolidated Financial Statements (Unaudited)

## DTE Energy Company

## Consolidated Statements of Changes in Equity (Unaudited)

	Common Stock		Retained	Accumulated	Noncontrolling	
	Shares	Amount	Earnings	Other	Interests	Total
				Comprehensive		
				Income		
				(Loss)		
	(Dollars in millions, shares in thousands)					
Balance, December 31, 2016	179,433	\$4,030	\$5,114	\$ (133 )	\$ 488	\$9,499
Net Income (Loss)	—	—	577	—	(8 )	569
Dividends declared on common stock	—	—	(444 )	—	—	(444 )
Repurchase of common stock	(524 )	(51 )	—	—	—	(51 )
Benefit obligations, net of tax	—	—	—	7	—	7
Net change in unrealized gains on investments, net of tax	—	—	—	1	—	1
Stock-based compensation, net contributions from noncontrolling interests, and other	485	(11 )	(2 )	—	3	(10 )
Balance, June 30, 2017	179,394	\$3,968	\$5,245	\$ (125 )	\$ 483	\$9,571

See Combined Notes to Consolidated Financial Statements (Unaudited)

## DTE Electric Company

## Consolidated Statements of Operations (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In millions)			
Operating Revenues — Utility operations	\$1,218	\$1,215	\$2,393	\$2,368
Operating Expenses				
Fuel and purchased power — utility	355	361	669	696
Operation and maintenance	336	332	719	656
Depreciation and amortization	180	187	361	363
Taxes other than income	75	70	155	143
	946	950	1,904	1,858
Operating Income	272	265	489	510
Other (Income) and Deductions				
Interest expense	72	65	138	130
Interest income	—	—	—	(8 )
Other income	(17 )	(17 )	(36 )	(33 )